HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Hamilton and Brantford CMAs

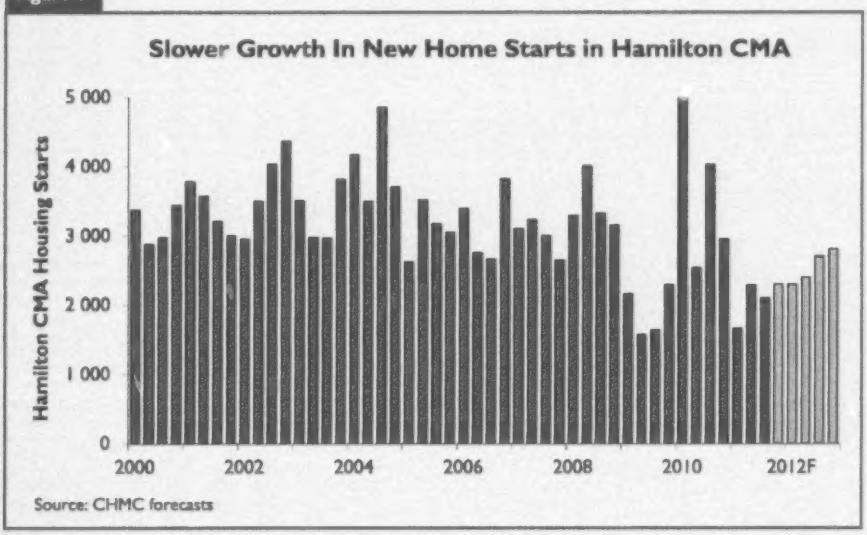
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2011

Market at a Glance

- Home ownership demand will come from repeat buyers through 2012
- More listings in the resale market will open up choices to buyers
- New home starts will remain flat in 2012

Figure 1



Source: CHMC forecasts

* The forecasts included in this document are based on information available as of October 5, 2011.

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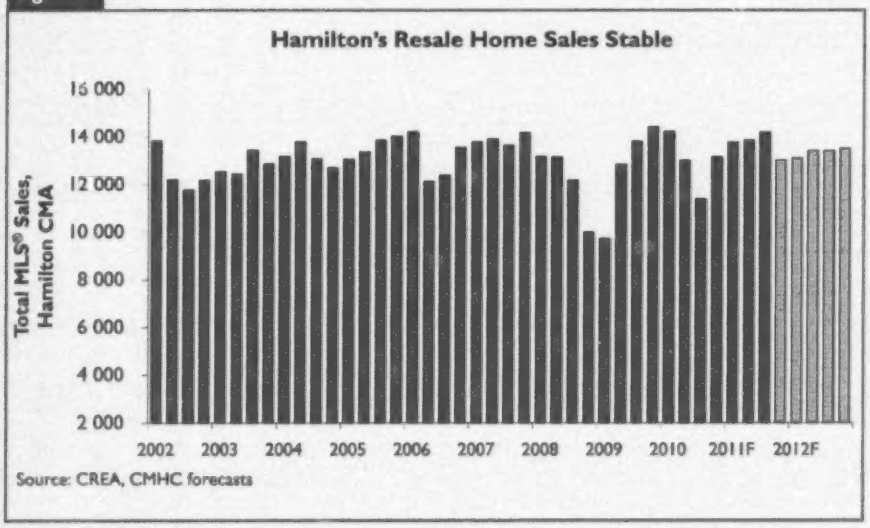
Figure 2



Resale Homes Market

MLS® Sales Stable Through 2012

Although recent data shows MLS® sales were on the rise through the third quarter, recent events in the economy and slower job growth for young people will put a damper on sales in the coming months. Sales will increase moderately in 2012. Much of the demand for sales through 2012 will be coming from repeat buyers looking for a home. Recent in-migration to Hamilton from other southern and southwestern Ontario cities, including Toronto and smaller non-CMA areas area will also continue to support sales growth in many parts of the CMA. Total sales are forecast to reach 13,500 homes in Hamilton and 1,825 in Brantford.

One factor that will continue to support home ownership from repeat buyers and some first time buyers is a stable mortgage rate environment. Mortgage rates will remain low through 2012, keeping homes affordable. In fact, many repeat buyers who have built up equity in their homes will be looking to take advantage of flat mortgage rates through next year, and move into a home that may be more suited to their desires and/or needs.

Fewer First Time Buyers

Changes in the economic climate in recent months have put a strain on household finances and will affect buyers, especially those looking to purchase their first homes. The jump from rental to home ownership has become more difficult in recent years due to the challenges in the labour market, as well as rising home prices. Housing prices have increased at a faster rate than average household incomes, and it is typically more difficult for first time buyers to save up for a down payment. Moreover, the changes to the mortgage insurance requirements may cause buyers to delay their home purchases. Although modest increases in prices and stable mortgage rates through 2012 will support home ownership, many first time buyers will take longer to shift into home ownership. Other first time buyers that are prepared for home ownership will be shifting their preferences towards lower priced starter homes, such as townhouses and apartments.

Listings Will Stay High

MLS® listings remained elevated this year in both the Hamilton and Brantford CMAs, with rising prices prompting sellers to list and use the accumulated equity to move into a more desirable neighbourhood,

Figure 3

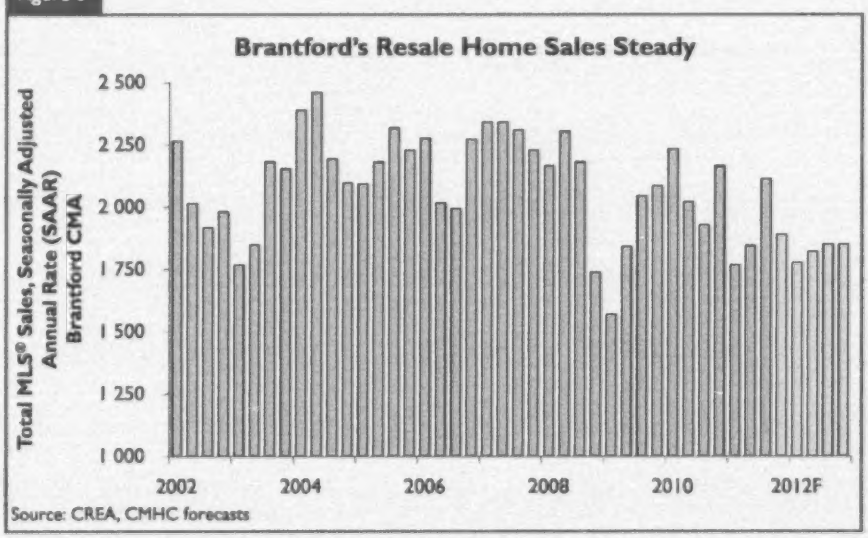
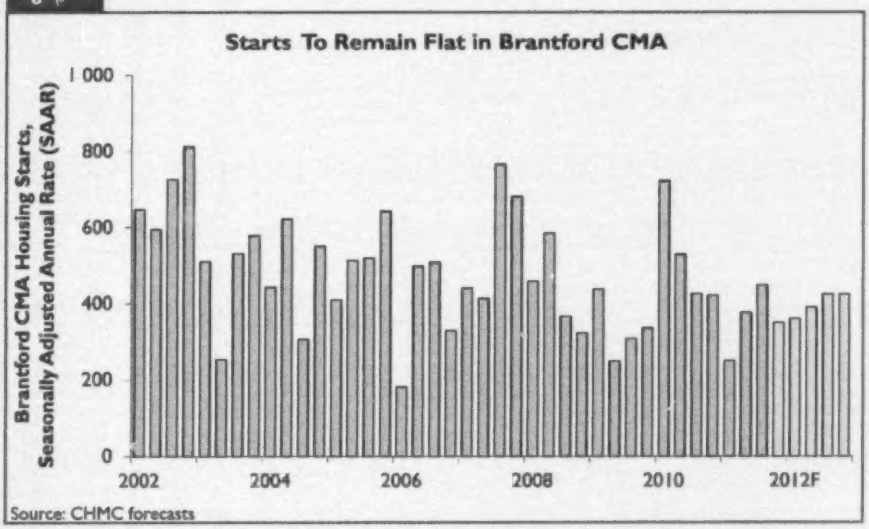


Figure 4



Source: CHMC forecasts

or a home that better suited their needs. Taking advantage of low mortgage rates, buyers were able to bid for more expensive homes, driving up the average price of a resale home. It is important to note that this increase reflects the larger proportion of repeat buyers who have built up equity from the homes and purchased more expensive homes. These move-up buyers and sellers have kept the MLS® market moving, and will continue to drive sales activity through 2012.

Both the Hamilton and Brantford CMA resale markets will become more balanced in 2012 and the sales-to-new-listings ratio will move lower. A balanced market will lead to an increase in the number of days a home is listed in the market.

Moderate Price Growth

A balanced resale market will also mean more moderate price growth. While prices are forecast to rise, the increase will be modest. Slower labour market conditions will translate into slower growth in average job earnings, and this will be a constraint to overall price growth. On average, prices in 2012 will rise approximately one per cent in the Hamilton and Brantford CMAs. Reasonably priced starter homes in the Brantford CMA will continue to be popular as more home owners are keen to pay less upfront and then renovate.

Relatively lower home prices in the resale market through 2012 will also mean that this market will offer increasing competition to the new home market.

New Homes Market

New Home Starts To Remain Flat in 2012

Following a surge in 2010, new residential construction in the Hamilton and Brantford CMAs has slowed down. Many of the starts earlier this year were the result of a spilling over of demand from 2010, rather than 2011 sales. The implementation of the new Harmonized Sales Tax (HST) in 2010 prompted many buyers to purchase ahead of the July 1st deadline. This fuelled new home starts last year as builders responded to the increased demand. This year however, the low level of starts is reflective of the current economic environment. Some buyers looking for a new home looked in the relatively lower priced resale market first, where listings have risen to new heights this year.

In 2012, the level of new home starts will remain relatively unchanged from the prior year. In the Hamilton CMA, there will continue to be a shift towards higher-density. Low-rise starts will be concentrated in the suburban markets of Glanbrook, Ancaster, Stoney Creek, Flamborough and Grimsby. Builders will continue expanding to greenfields in these outlying areas. More starts will occur in the most northern and southern communities in Flamborough and Grimsby in the next few years as these locations are ideally situated near major transportation routes. These markets will also receive some of the spill over demand from nearby residential markets. New communities in the Hamilton CMA will offer a diversity of home types from smaller, bungalow-style homes suited for downsizers and first time buyers, as well as detached homes for residents looking for more space.

In the Brantford CMA, single-detached starts will remain the primary choice of buyers, although townhouse starts will continue to be more popular in the urban areas. Weaker employment conditions in the Brantford CMA have had an adverse effect on the housing market, and in particular the comparatively more expensive new home market. Also, land availability for new development is limited in some parts of the CMA. Intensification in the City of Brantford is expected to support the new home industry, as builders look for ways to make more efficient use of land.

The low number of homes that were left unsold last quarter in the Hamilton

CMA fell by one-half as compared to a year ago. This indicates that existing inventory will not be a hindrance to new home construction. In the Brantford CMA, however, there was a larger inventory of new homes left unsold. Contrary to Hamilton, builders of new homes in the Brantford CMA will focus on selling off existing inventory prior to starting new homes.

New Home Prices Moderate

Increases in new home prices will be moderate in the Hamilton and Brantford CMAs. New homes will continue to face competition from the resale market, where prices tend to be lower.

In the Hamilton CMA, the average new home price will also be driven up by compositional factors. In 2010, more buyers were looking to purchase homes at the upper end of the price scale in Hamilton prior to the implementation of the HST. The surge in demand resulted in prices of new single-detached homes averaging over $450,000. While a higher proportion of more expensive homes in Burlington skewed the price upwards, homes in the City of Hamilton in some markets such as Ancaster and Flamborough were also priced well above the average.

This year, in 2011, while the average price continued to be pulled upwards by some of the luxury homes in Burlington, the median price of a single-detached home in the Hamilton CMA remained at $400,000. Both the median and average new home price are expected to rise modestly through 2011 and 2012.

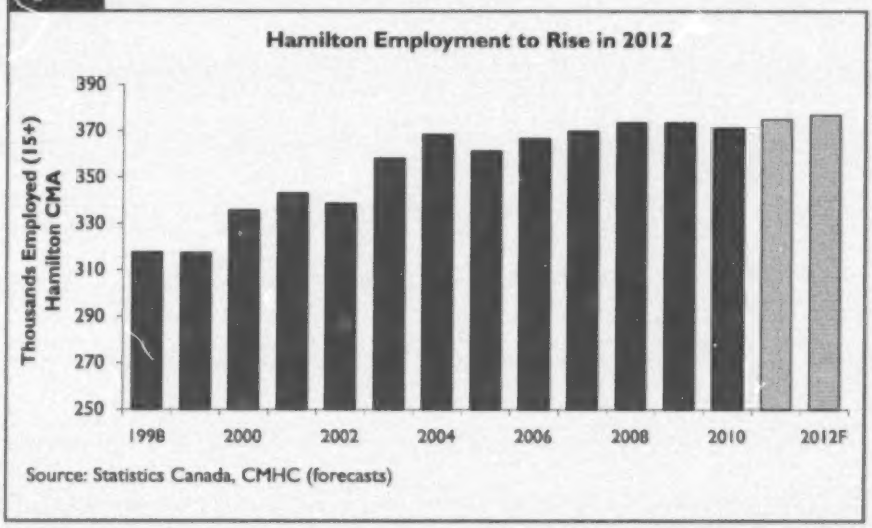
Local Economy

Slow Job Growth Through 2012

Housing markets are strongly correlated to job growth, and in particular full-time job growth. While job creation was boosted in 2010 by government stimulus programs and incentives, recent labour market showed a weakening in job growth through the third quarter. The unemployment rates in the Hamilton and Brantford CMAs rose to seven per cent and nearly nine per cent, respectively. While there is an expected increase in jobs in 2012, the growth will be moderate at under one per cent in the Hamilton and Brantford CMAs.

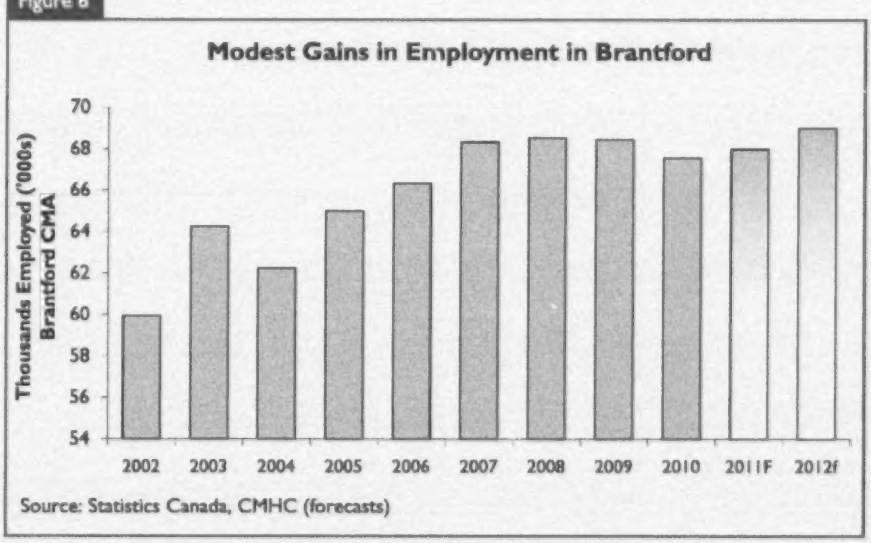
Most of the jobs lost in the Hamilton CMA were for people aged 25 to 44. The employment rate for this group also fell one percentage point from July. Jobs have been scarce for young people as they typically have less experience and thus fewer options to choose from. Job prospects are expected to improve in 2012, and

Figure 5



Source: Statistics Canada, CMHC (forecasts)

Figure 6



Source: Statistics Canada, CMHC (forecasts)

Hamilton will likely fare better than other Ontario markets due to its diverse base of industries which keep the labour market more balanced.

The Brantford CMA labour market will continue to face challenges through 2012. While job growth has been slow, and relatively flat through the third quarter, the growing labour force has put upward pressure on the unemployment rate. Some individuals in the Brantford CMA may be re-entering the labour force after having been discouraged earlier in the year. Another reason for the rise in the labour force is the increasing number of new graduates looking for work (exact figures TBD). The rising student population means more young people are looking for work in a local economy that is still primarily concentrated in the manufacturing sector. The City of Brantford and Brant County are in transition to create jobs in knowledge-based industries, but the shift will take time.

Rising prices in the home ownership market and weak employment prospects for young people will result in an increased demand for rental housing through 2012. More first time buyers will stay in the rental market until economic conditions improve and they are able to save in order to purchase a home.

Mortgage rate outlook

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Forecast SUMMARY Hamilton CMA Fall 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	12 110	12 680	12 934	13 400	3,6	13 500	0,7
MLS® New Listings	19 711	17 796	20 200	21 500	6,4	20 200	-6,0
MLS® Average Price ($)	280 790	290 946	311 683	332 000	6,5	334 500	0,8
New Home Market							
Starts:							
Single-Detached	1 675	899	1 753	1 250	-28,7	1 150	-8,0
Multiples	1 854	961	1 809	955	-47,2	1 100	15,2
Semi-Detached	132	134	246	30	-87,8	50	66,7
Row/Townhouse	1 224	473	933	550	-41,1	650	18,2
Apartments	498	354	630	375	-40,5	400	6,7
Starts - Total	3 529	1 860	3 562	2 205	-38,1	2 250	2,0
Average Price ($):							
Single-Detached	404 532	445 600	453 563	458 000	1,0	460 000	0,4
New Housing Price Index (% chg.)	2,8	-1,1	1,6	1,4	-	1,6	-
Rental Market							
October Vacancy Rate (%)	3,2	4,0	3,7	3,2	-0,5	2,8	-0,4
Two-bedroom Average Rent (October) ($)	836	831	862	870	-	885	-
Economic Overview							
Mortgage Rate (1 year) (%)	6,70	4,02	3,49	3,60	-	3,56	-
Mortgage Rate (5 year) (%)	7,06	5,63	5,61	5,42	-	5,43	-
Annual Employment Level	373 100	374 100	371 800	375 000	0,9	377 000	0,5
Employment Growth (%)	0,8	0,3	-0,6	0,9%	-	0,5%	-
Unemployment rate (%)	6,1	8,4	7,6	7,4	-	7,1	-
Net Migration	3 071	3 678	4 111	4 300	4,6	4 600 **	

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast SUMMARY Brantford CMA Fall 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2 097	1 884	2 086	1 850	-11,3	1 825	-1,4
MLS® New Listings	3 668	3 321	3 409	3 600	5,6	3 450	-4,2
MLS® Average Price ($)	218 890	220 369	229 678	233 000	1,4	236 000	1,3
New Home Market							
Starts:							
Single-Detached	283	258	280	210	-25,0	200	-4,8
Multiples	149	59	224	110	-50,9	110	0,0
Semi-Detached	4	14	10	10	0,0	10	0,0
Row/Townhouse	116	42	116	100	-13,8	100	0,0
Apartments	29	3	71	0	-100,0	0	n/a
Starts - Total	432	317	504	320	-36,5	310	-3,1
Average Price ($):							
Single-Detached	253 849	282 081	346 660	330 000	-4,8	335 000	1,5
New Housing Price Index (% chg.) (Ont.)	3,5	0,1	2,4	n.a.	-	n.a.	-
Rental Market							
October Vacancy Rate (%)	2,4	3,3	3,7	3,7	0,0	3,2	-0,5
Two-bedroom Average Rent (October) ($)	752	754	778	785	-	795	-
Economic Overview							
Mortgage Rate (1 year) (%)	6,70	4,02	3,49	3,60	-	3,56	-
Mortgage Rate (5 year) (%)	7,06	5,63	5,61	5,42	-	5,43	-
Annual Employment Level	68 600	68 500	67 400	67 250	-0,2	68 750	2,2
Employment Growth (%)	0,0	-0,1	-1,6	-0,2	-	2,2	-
Unemployment rate (%)	5,9	9,9	8,7	9,0	-	8,9	-
Net Migration	530	594	625	400	-36,0	450	12,5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
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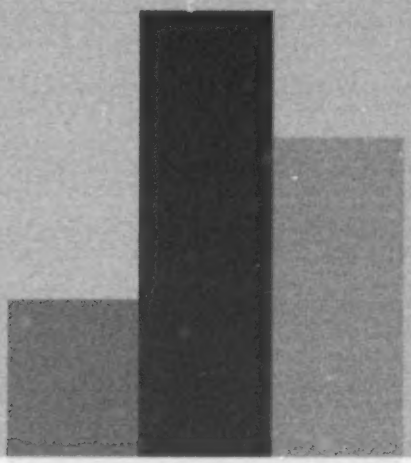

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